

Bank Branch Density and Bank Runs

by Benmelech, Yang and Zator

Discussion by Cecilia Parlatore

NYU Stern, NBER and CEPR

April 18, 2024

The paper

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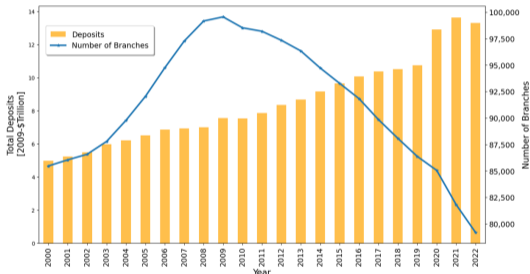
Lot's of evidence for the consistent with the “depositor composition channel” of Digital Banking captured by Branch Density

What is the heterogeneity in Branch Density capturing?

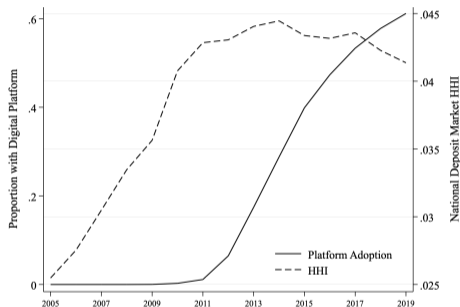
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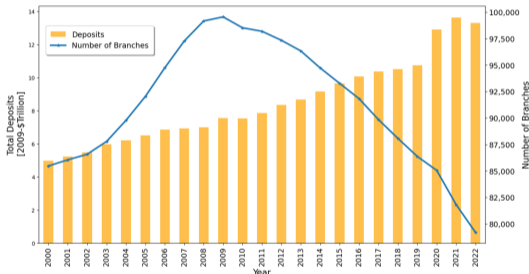
Source: Benmelech, Yang, and Zator (2024)



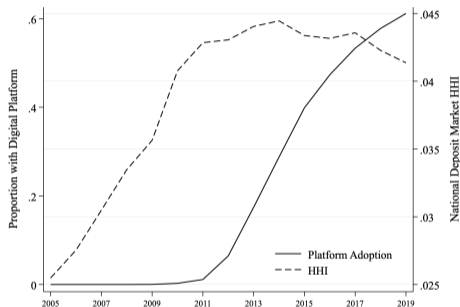
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- ▶ Different exposures to digital banking (IV results - IT investment)



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- ▶ Digital Banking appeals to a particular type of depositor (tech savvy, more educated,...)

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5. Increase in web traffic around Bank Crises for banks with lower branch density

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 - ▶ Is just the deposit composition channel? How important is it?

Bank Business Model

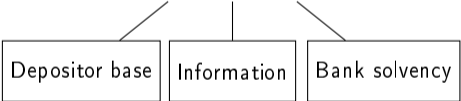


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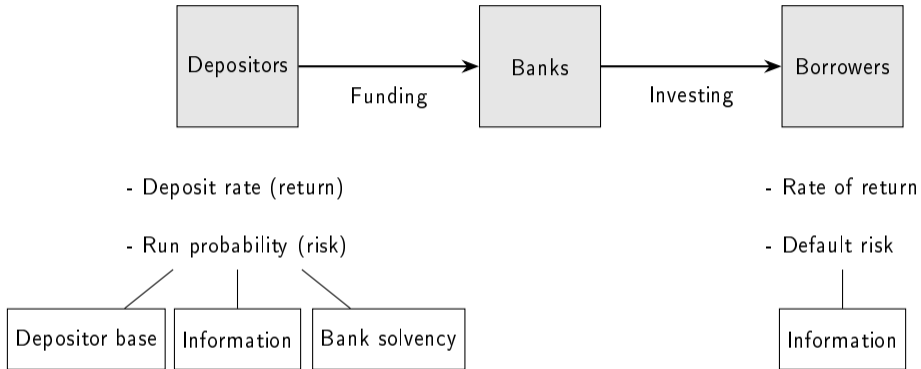


- Deposit rate (return)

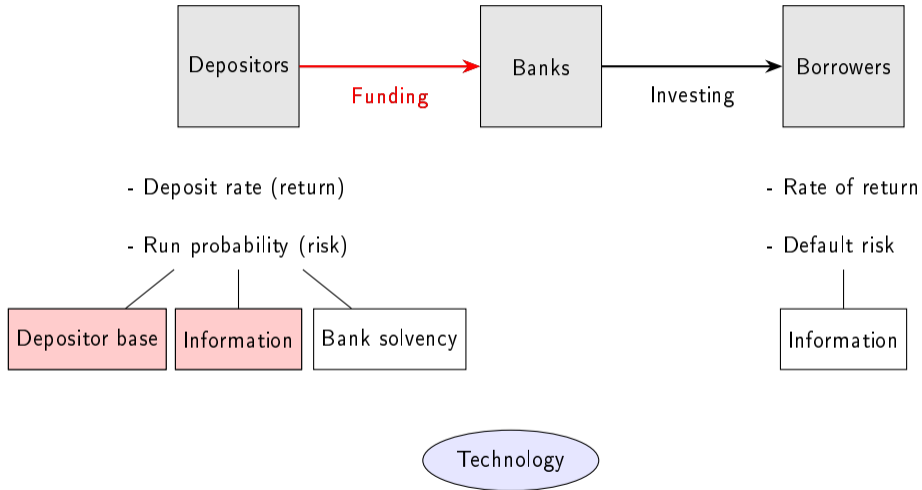
- Run probability (risk)



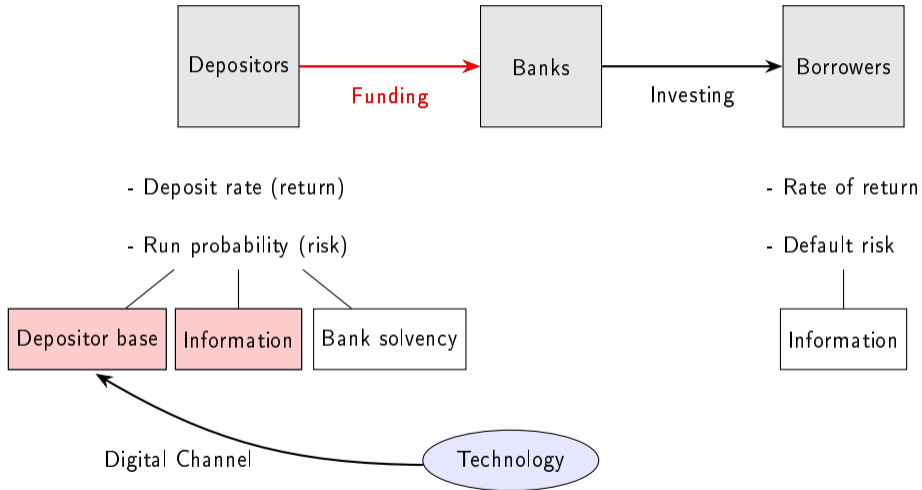
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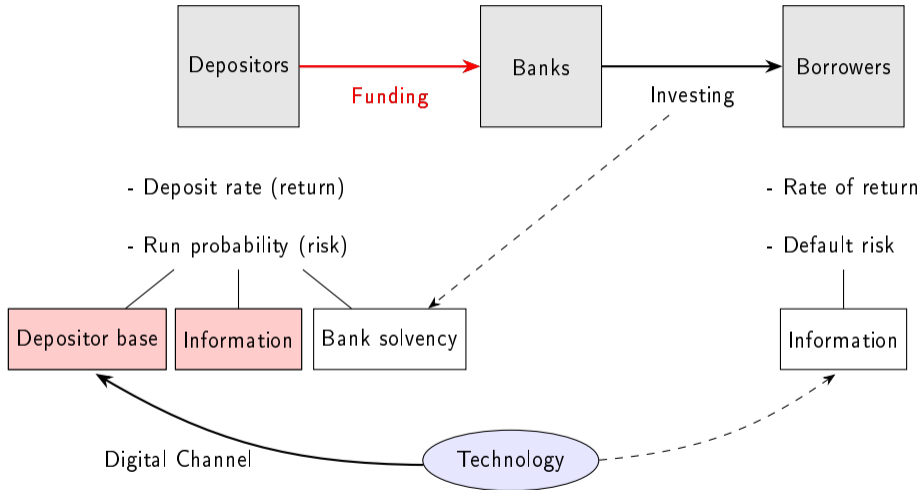
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 - (a) Large inflows of deposits affect the composition of a bank's loan portfolio
 - ▶ Banks' specialization increases after unexpected inflows (Blickle et al. (2023))
 - ▶ May also increase exposure to interest rate risk
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5. Implications for financial stability?